A

LETTER

TO THE

RIGHT HON. LORD KING,

IN DEFENCE OF THE CONDUCT OF

THE DIRECTORS OF THE BANKS OF ENGLAND AND IRELAND,

WHOM HIS LORDSHIP

(In a Publication entitled, " Thoughts on the Restriction of Payments in Specie," &c. &c.)

ACCUSES OF ABUSE OF THEIR PRIVILEGE.

WITH REMARKS

ON THE CAUSE OF THE GREAT RISE OF THE EXCHANGE BETWEEN DUBLIN AND LONDON,

AND THE MEANS OF EQUALIZING IT.

" Per varios casus, per tot discrimina rerum,
" Tendimus in Latium." VIRGIL.

BY HENRY BOASE.

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ADVERTISEMENT.

The substance of the following Letter is extracted from the draft of a more particular ANSWER *to* LORD KING'S PAMPHLET, *which was sketched soon after his Lordship's publication appeared: but the renewal of the war having then postponed the* possibility *of repealing the Bank Restriction Bill, it was judged that experience would demonstrate the salutary tendency of that measure, better than controversial arguments; and the intended reply was therefore laid aside.*

Since that time, the great rise of the exchange between Dublin and London, has given a new impulse to the enquiry; and makes it expedient to shew that the "increase of Bank Notes" *is not the cause of the disadvantageous course of exchange.*

"The conduct of the Bank Directors" *is also so intimately connected with the general question of Paper Currency,—so important to public credit,—and so solemnly impeached by Lord King, that no proper opportunity should be lost of vindicating their management of the Bank Concerns; and removing the unfounded suspicion, which his Lordship's animadversions were calculated to produce.*

A LETTER, &c.

My Lord,

Whether it may be ultimately deemed expedient to continue the Bank Restriction Bill under suitable modifications, or found necessary to repeal it, as soon as such a measure shall be practicable, I know not, but conceive, that in either case much benefit will have resulted from the suspension of payments in specie; because the investigations to which it will have given rise, cannot fail to throw considerable light upon a very difficult science.* Paper credit, and Paper currency, were never fairly brought to the test of experiment, until the Bank Restriction took place. The Missisipi and

* The public is very much indebted to your Lordship's judicious defence of the system of Country Banks; and how it could have entered into the mind of an intelligent man, that in the event of the enemy getting a momentary, or any possession of one of our towns, it would be better for us, that he should find a plentiful supply of guineas, instead of a paper currency, useless to him, I cannot conceive.

South Sea tickets, the paper money of the American Congress, and the assignats of France, were all essentially different from Bank of England notes. By fraud or force people were deluded or compelled to give their goods for scraps of paper of speculative value, because no adequate fund was consecrated for discharging them; whereas Bank of England notes possess not only the credit due to the great capital engaged for their security, but each represents a real, effective consideration received at its creation, and carefully preserved and appropriated to its payment. The writers on political economy, previous to the Bank Restriction, had therefore no experimental data, whereon to conclude it possible that a paper currency, not convertible into specie, or otherwise restrained by the authority of the state, could be preserved within due bounds, or subsist for any great length of time without depreciation. Hence it was reasonable to entertain the fearful apprehensions which generally prevailed, when a measure so new, and momentous, as the suspension of payments in specie at the Bank of England, was through necessity sanctioned by law. I was among the number of those, who tremblingly foreboded the destruction of public credit. Year however after year passed away, (in times of uncommon peril, as they related to public credit,) and yet

Bank notes maintained the same value and confidence as they did when specie could be demanded. This unexpected state of things induced me to reconsider the subject with more care and attention, and the result has been a conviction, that my fears were groundless.

It is not however my present intention to enter upon the general question of the expediency of the Restriction Bill: but I propose to confine myself chiefly to shew the fallacy of the grounds, upon which your Lordship concluded, that there has been "*an excessive issue of Bank notes*,"—"*a depreciation of their value*;" *and on the part of the Bank Directors*, "*an* "*abuse of the powers vested in them by Parlia-* "*ment.*" Your Lordship draws these inferences, first, from the great inducement, which the Bank Directors are supposed to have, for abusing their trust: secondly, from the high price of bullion; and thirdly, from the disadvantageous course of exchange.

This, my Lord, is bringing the question to the test of experiment; and your Lordship's book is therefore worth a thousand metaphysical theories, and merits the great approbation with which it has been received, because it refers the decision to the evidence founded on facts, whereby alone, the truth of the hypothesis can be unequivocally established.

I am sensible, that in opposing your Lordship's conclusion, I not only presume to differ from an authority of high repute, but also from the opinion of very many persons of great consideration: it becomes me therefore, to do it with much humility; and I entreat your Lordship to do me the justice to believe, that my motive is truly disinterested, and that I am actuated by nothing but a desire to discover the true bearings of a question, acknowledged on all sides to be of the last importance to the prosperity of the nation.

In the first place, your Lordship supposes, that an excessive issue of Bank notes might be expected from the profit which accrues to the Bank through their circulation.*

Many people seem to think that the Bank Directors may issue their notes to *any extent*, and that they are anxiously disposed to do so upon very slender, or almost no consideration. But the truth is, that the conduct of the Directors is regulated by the laws of the Bank; and they cannot create a single note without first receiving, not only what is deemed the

* Some have asked, Why (if we must have sixteen millions of Bank notes,) should not the *nation* issue them, and the public enjoy the revenue of £800,000. paid in discount? I have not room to answer this important question in detail, but venture to affirm distinctly, that it would prove a public loss.

full value, but such a particular species of value as the wisdom of their charter, and the long established regulations of the Bank, have defined and limited. So far, therefore, from issuing their notes at *random*, the Bank Directors themselves cannot obtain a single note, without paying the full value, equally with any other person. Their conduct in this respect is governed exactly by the same principle which guides individuals, who employ money in discounting commercial bills, and government securities; and nobody will suppose, that they would part with their money without an adequate consideration.

Although your Lordship is well aware of these regulations, yet you apprehend, that the Directors are tempted to issue notes on *improper* securities, or are frequently *deceived* by discounting *bills of accommodation*, instead of real *bonâ fide* bills. These are two objections of moment, and merit a careful investigation.

The first objection supposes, that the benefit accruing to the Bank from the circulation of its notes may, and does induce the Directors to extend it as much as possible, and that in consequence they are not so discreet as they ought to be, in the choice of the bills they discount. It would be called begging the question, to rest it on the personal character and experience of the Directors: I therefore use this argument only as an auxiliary to a more generally acknowledged principle, namely, the *interest* of the Bank, which, as well as its system of management, and the wisdom of its Directors, is positively repugnant to an excessive issue of notes in either of the cases which your Lordship assumed.

But the personal character and wisdom of the Bank Directors, are no small security to the public, for the proper management of that corporation. They have been represented as mere plodding tradesmen, blind to every motive, but that of sordid private interest. Collectively considered, they are however men of enlightened minds, actuated by the education and feelings of gentlemen; and possessed of a much larger stake in the public weal, than in the capital of the Bank. Their knowledge of political affairs, as well as their great and peculiar experience in the financial and commercial concerns of the kingdom, enable them to judge more accurately than most others, of the currency required to carry on the business of the nation; and their interest in its general welfare, is exceeded by no class of the community. It is therefore *unlikely*, that they should blindly sacrifice their paramount interest to minor considerations; and surely they ought not on slender grounds to be charged with acting in direct violation of that rule of

management, which was founded in wisdom, has been sanctioned by experience, and crowned with success.

Not to urge this argument however, further than to shew, that it affords a reasonable *presumption*, that the Bank direction is composed of men not likely to abuse their authority; I proceed to explain how the particular *interests* of the Bank would be injured, instead of benefited by the excessive issues of notes, which the Directors are supposed to encourage.

Your Lordship very properly admits, that the requisite quantum of currency can only be estimated by the wants of the public: it therefore follows, that so far as the public demand for this species of currency (until a better can be obtained) proceeds from the real wants of commerce; *it ought to be supplied:* such bills being offered for discount as are unobjectionable in point of security, and the *bonâ fide* transactions of business. The supposed evil, consequently, arises from bills of accommodation, *i. e.* fictitious bills. Now it is a matter of notoriety to all those who are intimately acquainted with bill transactions, that the discount of fictitious bills is uniformly *discountenanced* by the Bank of England, and all prudent bankers. It may and does happen, that through a temporary stagnation of trade, political disasters, or adverse winds, merchants of high credit are *occasionally* compelled to this expedient: but it is an avowed, and comparatively a rare occurrence; and in most instances the want so arising ought to be supplied. But a systematic renewal of accommodation bills, is absolutely ruinous to the parties; consequently too injurious to the private interest of the Bank to be encouraged. It would require nearly *twenty years* continuance of a set of accommodation bills, to shelter the Bank from loss: in general, the cheat is too ruinous to subsist as many months, therefore your Lordship may be assured, that the Bank Directors are very careful, as well from motives of private interest, as of patriotism, to reject such applications. There are exceptions to this as every general rule; no human system is perfect; and there are occasions when accommodations of this nature produce great public, as well as individual benefit: it is in truth the public, and not the private expediency of the case, which decides the resolution of the Bank.

It happens also, that the cases in which your Lordship supposes there is a great inducement to create bills of accommodation, do really not afford it; namely, the purchase of government securities, and speculations in the stocks. The first by a wise regulation* (introduced by that

great financier and statesman, Mr. Pitt) pay at most an interest of little more than five per cent. per ann.; but a set of accommodation bills could hardly be kept up at seven per cent. consequently no profit, but loss would accrue from this adventure. As to speculations in the stocks, they are at best a bad trade; and were the jobbers obliged to pay five per cent. per ann. for money to carry it on, it would, happily, be soon at an end; but they go a cheaper way to work; and men not worth £50. will buy and sell hundreds of thousands without one actual transfer. Were it otherwise, I can venture to assure your Lordship, that stock-jobbers are among the last, who could palm fictitious bills upon the Bank Directors.

Still it is supposed that the Directors of the Bank may in one way or another be very often *deceived*. Allow me, my Lord, to explain how this *cannot* often, or to a considerable extent, happen.

The established routine of business at the Bank, is a check on improper applications for discount. No person can procure a bill to be discounted, who has not previously an account opened for that purpose in his name on the Bank books. To obtain *that favour* (for it is

* Nothing perhaps more forcibly shews the infant state of the science of political arithmetic, than this fact, that Navy and Exchequer Bills were suffered to accumulate, till the nation paid an interest upon them of 8 or 10 per cent. per ann. while the money could be borrowed under 5 per cent.

far from a matter of course) the party applying must be introduced to the Directors, by some person known, and whose recommendation is satisfactory to them. By this means the Directors, and their officers, become acquainted with the particular commerce, connexions, and credit of the person recommended, who will obtain a discount proportioned to the nature and extent of his business, his own credit, and that of the bills he offers: the quantum is restricted by every one of these circumstances, and the combination of all is necessary for obtaining any discount accommodation. If, for instance, the nature of his business does not entitle him to the indulgence, or the sum asked for exceeds the limitation, which the rules of the Bank have previously prescribed; or if his own credit, or that of the bills he offers, is anyways questionable, in either case his application is rejected. It is also important to notice, that by an invariable regulation, the person applying for the discount of bills, has no communication with the Directors: the bills are left at a particular hour in the discount office, whence they pass before the Committee in the Bank parlour, and their answer given at a subsequent particular time, is a simple approbation or refusal. No opportunity is afforded for solicitation, remonstrance, or explanation; and consequently there is no risk of undue bias. Should

the eligibility of the operation turn on the question, whether the bills offered were genuine or fictitious, there would be almost no chance of their succeeding. It is not easy to explain this in detail. A jeweller, who can readily discover a real from a counterfeit diamond, could not so easily describe the exact criteria of judging, so as to be comprehended by a person unpractised in such business; it is a sort of instinct resulting from long habit, which rarely errs. In like manner the officers of the Bank, and others in the constant practice of bill business, discover and distinguish, almost intuitively, between genuine and fictitious bills.

As therefore the immediate interest of the Bank would be injured by discounting bills of accommodation, and as it is impossible to practise much imposition in this way upon the Bank Directors; and as none of the cases cited by your Lordship, as tending to promote a systematic fabrication of accommodation bills, can be at all applicable to that purpose, I conclude that no excessive issues of Bank notes have been occasioned, either by an improper facility granted on the part of the Bank Directors, or by any imposition practised upon them; and consequently that they have not intentionally, or unintentionally, abused the powers reposed in them by Parliament.

Still it may be said, that admitting all this, yet it does not follow that there has been no excess of Bank notes. It would carry me too far to describe all the transactions which create Bank notes: but I can truly affirm, that none which have come within a long practical experience and careful inquiry, give cause to fear an undue increase, so long as the Bank of England remains under the constitutional laws, and the wise regulations, which actually guide and govern the conduct of its Directors.*

That the quantum of Bank notes is increased nearly double since the restriction, does not prove an excess:—half the quantity might be excessive, or double the amount a deficient supply. Your Lordship fully admits this principle, in admitting that the only standard of the requisite quantity of currency, is the *bonâ fide* demands of trade. And it must, I think,

* Your Lordship lays it down as a principle, that "men "when acting as members of public bodies are often found "to acquiesce in measures, which they would acknowledge to "be dishonourable in common life." Allow me, my Lord, to ask, whether you would not feel indignant at a solicitation to do an act in your place as a Peer of Parliament, which you should think dishonourable in private? It is for precisely the same reason, that the Directors of corporate bodies reject propositions, which through the influence of friendship, or persevering application, they might as individuals be prevailed upon to entertain. The effect, in respect of the conduct of the Bank Directors, I take to be exactly the reverse of what your Lordship supposes.

be as readily admitted, that as the transfer of goods and property is made only through the medium of *currency*, (whatever the symbols of it may be) there should be a sufficiency of currency to meet all the demands of business; otherwise trade becomes stagnant, and the nation suffers unnecessary loss. This is therefore a criterion to which we may fairly appeal, in proof that there has hitherto been no superabundance of Bank notes; and it is a proof within the reach of almost every body. Ask then your solicitor whether, since the year 1796, there has generally been a facility of selling or mortaging lands, or whether there has not, on the whole, been much difficulty, on account of the scarcity of money, *i. e.* of Bank notes? Ask the merchants, who uniformly discount at the Bank of England, whether, on the average, they have been restricted to a less sum, than was needful for their business, and have in consequence, been obliged to solicit the discount of bills of exchange from private bankers and friends? Ask the bankers whether they have not, during the same period, much oftener refused to discount for their customers, than desired more applications? Ask the several descriptions of brokers in the various departments of the money market (I mean bill-brokers, stock-brokers, &c.) whether there has not been for the last seven years, nine days of "*scarcity*," to one of "*plenty* of money;" and that *plenty* also momentary, and not excessive? I am persuaded, that from candid and intelligent men, totally unconnected with each other, one uniform answer would be received to all these inquiries; and I know of no more substantial and unequivocal evidence for establishing the real matter of fact. It undoubtedly would prove beyond all rational dispute, that on the average at least, there has been *no excess* of Bank of England notes.

In no science have men been more unwilling to bend their theories to the test of experience, than in the branch of political economy, now under consideration. Your Lordship has nobly despised popular and scholastic prejudices, and dared to rest the proof of your opinion upon simple matter of fact; and although the fact should refute your conclusion, instead of confirming it, yet the example is of importance, and will do more for discovering the truth, than volumes of metaphysical theories.

The high price of bullion, and the disadvantageous course of exchange, your Lordship supposed to be the effect of an *excessive issue*, and consequent *depreciation* of Bank notes; and to demonstrate it mathematically, you collated tables from authentic documents, for which I thank you, and readily join issue on their evidence.

It must be remembered, that a cause will produce the same effect uniformly, unless counteracted by some more imperious power. Now, if the increase of Bank notes does produce a rise in the price of bullion, and a fall in the exchange, then that rise and fall must be proportioned to the increase of notes, allowance being made for adventitious circumstances, which may have a counteracting tendency.

The whole of the tables would be too long to insert here, I therefore take the several dates of the returns of Bank notes, and the price of bullion, and rate of exchange at those periods, the result will be the same as if every fluctuation of the exchange were detailed.

Table.

Dates.	Amount of Bank of England Notes.	Of the Bank of Ireland.	Course of Exc. with Hamburgh.	Course of Exc. with Dublin.	Price of Standard Silver, per oz.
February 25, 1797	8,640,250	621,917	35,8	$8\frac{3}{4}$	5s. 4d.
May 9 -	11,103,880	737,268	36,2	$8\frac{1}{2}$	5 6
August 4 -	10,828,880	808,612	36,7	$7\frac{3}{4}$	5 $1\frac{1}{2}$
November 7 -	11,642,400	959,999	37,10	$7\frac{1}{4}$	5 $0\frac{1}{2}$
February 9, 1798	13,043,480		37,8	9	5 0
May 8 - -	13,224,440	N. B. The returns from Ireland were not precisely under these dates. I have placed under the nearest.	37,3	$9\frac{1}{4}$	5 $1\frac{1}{2}$
August 7 -	12,115,640		37,6	8	5 1
November 6 -	12,452,070		37,10	9	5 $0\frac{1}{2}$
February 8, 1799	13,212,460		37,8	10	5 $2\frac{1}{2}$
May 10 -	13,720,260		35,6	10	5 $3\frac{1}{2}$
August 9 -	13,759,940		34,6	11^{5}	
November 12 -	14,006,960		32,6	$12\frac{1}{8}$	5 8
February 11, 1800	15,120,060		30,6	$12\frac{1}{4}$	5 8
May 13 -	15,213,520		32,3	$11\frac{3}{4}$	5 $9\frac{1}{2}$
August 12 -	15,230,410		32,1	$11\frac{1}{4}$	5 9
November 14 -	15,450,970		31,10	$10\frac{5}{8}$	5 9
January 6, 1801	16,365,206	2,266,471	29,10	11	5 10
March 5, 1802	15,956,016		32,3	$12\frac{1}{2}$	5 $11\frac{1}{2}$
June 8 - -	16,747,300	2,678,980	33,	$12\frac{1}{2}$	5 $9\frac{1}{2}$
September 7 -	16,141,636	2,628,958	33,3	$12\frac{1}{4}$	5 6
November 3 -	15,838,410	2,528,951	33,5	12	5 $6\frac{1}{2}$
February 4, 1803	16,108,560	2,633,864	34,3	$12\frac{7}{8}$	5 7
* June 1 - -	16,100,940		34,3	16	5 8
August 1 -	16,734,510		34,	$16\frac{1}{2}$	5 5
October 1 -	16,622,510	2,781,841	34,	16	5 $6\frac{1}{2}$
November 25, -	17,931,930		34,10	$17\frac{1}{2}$	5 $8\frac{1}{2}$

* This, and the following items are since your Lordship's publication, and added in order to bring down the account to the last returns.

It appears then, that from the date of the Restriction to the month of February 1799, during two full years, the exchange with Hamburgh rose almost uninterruptedly, and from being at or nearly at par in February 1797, speedily acquired and maintained an advantage of about nine per cent. in favour of England, during a period when the consequences of the Restriction were most feared, and when by far the greatest proportionate increase of Bank notes took place. In the next two years we find a gradual increase of Bank notes, and fall of the exchange from nine per cent. above, to about twelve per cent. below par. During the next two years the amount of Bank notes was almost stationary, (being on the 6th of January 1801, £16,365,206, and on the 4th of February 1803, £16,103,560), and the exchange recovered from twelve to four per cent. under par. In the last year, Bank notes increased considerably, and the exchange rose to par.* Thus we find, that during the seven years since the Restriction, the exchange rose very considerably, in three years of by far the greatest proportionate increase of Bank notes; (the whole increase is about nine millions, of

* The exact par of exchange with Hamburgh, is doubtful; probably 35s. is very near it, and at the date of the last return of Bank notes, viz. 25th Nov. 1803, the exchange was 34 10 and is now at 35s.

which nearly seven millions took place in the *two first* and the *last* year) during two more years the exchange rose, when Bank notes, if not increasing, were yet at their highest increase up to that period; and during two years of moderate increase, the exchange fell enormously, even more than twenty per cent. Surely the rate of exchange must have depended on some other cause than that, which *five* times out of *seven* produced an effect diametrically opposite? Pretty nearly the same consequence results from the comparative price of bullion. Previous to the Restriction, and soon after, sterling silver was at 5*s*. 6*d*. per ounce, or nearly six per cent. above the mint price. For two years afterwards it was on the average below par, having fallen in proportion as the exchange rose. The next two years it rose, so as to be on the average about ten per cent. above par: the ensuing two years it fell to an average of six per cent. above par; and the last year it maintained nearly the same ratio. Here again the effect runs counter to the assigned cause five times out of seven.

As I only attempt to shew, that the reasons upon which your Lordship rests the proof of an excessive issue of Bank notes are not conclusive, it is not incumbent on me to account for the fluctuations in the price of bullion, and

rate of exchange; and indeed it would carry me much too far at present, in explaining all the circumstances, which operate upon them. It may be useful, however, to hint generally (but very briefly) at some of the principal causes of the rise and fall of the rate of exchange, and price of bullion.

"The market for buying and selling bills of "exchange, is governed by the same universal "immutable law, as all other free markets. If "the sellers are more than the buyers, the "price must fall, and vice versâ." In the ordinary course of trade the balance of export and import between two countries would be hereby expressed: but many circumstances foreign to commerce, may produce *the same effect* upon the exchange as a balance of trade would do. If, for instance, our actual exports to Hamburgh amounted to five millions and our imports only to four millions, the buyers at Hamburgh of bills on London, would be one fifth more than the sellers, consequently the exchange must rise, until it enabled the Hamburgh merchants to make their remittances more advantageously in bullion, which would then prevent a further rise of the exchange. Now suppose in such a state of things, we were required to remit to Hamburgh two millions in loans or subsidies to foreign states, or in payment of war expenses, or any other extra commercial foreign expenditure, then the balance of exchange operations would be one fifth against us, and a fall of exchange the inevitable consequence. It is therefore not the balance of trade appearing on the Custom House books, but the balance of *exchange operations*, which regulates the price,

Apply this rule to the course of exchange with Hamburgh, and you will find the effect *invariably corresponding* with the cause just assigned. The average of the exchange with Hamburgh in the year 1793, was 36 2. In the year 1794, about a million and a half was remitted in subsidies to the continent, besides extraordinary imports of naval stores from the north, in payment of which, many bills were negotiated through that city, and the course of exchange fell to 35 7. During the next year and a half, seven millions were remitted in loans and subsidies, and five millions paid for extraordinary imports of corn, besides the continued war demand for naval stores, and the expenses of the British army on the continent; the exchange of course fell, and was so low on the average of 1795, and the first six months of 1796, as 33 10, for some time even so low as 32 6, or nearly eight per cent. below par.

It is worthy of remark here, that during the four years preceding the late war, viz. 1789, 1790, 1791, and 1792, the exchange with

Hamburgh averaged (with little fluctuation) the rate of 35 1, being a little in favour of England. In 1793, the war with France directed a greater trade to Hamburgh, and the exchange rose in the middle of that year as high as 37 6 or $7\frac{1}{2}$ per cent. above par; in August 1795 it was at 32 4, being a fall of fifteen per cent.; now with these fluctuations Bank notes could not possibly have had any concern, for payments in specie were not then suspended.

But to return to the series of events, in the latter half of the year 1796, and during the years 1797 and 1798, nothing comparatively of note was remitted to the Continent, either for loans, subsidies, or pay of British forces, nor any extraordinary supplies of corn drawn from thence. The exchange accordingly rose (in spite of the vast increase of Bank notes and suspension of cash payments at the Bank), and maintained a prodigious advantage in favour of England, up to the month of April 1799. Nine months after the Bank restriction, it was at 38 3, or about ten per cent. above par. In the years 1799 and 1800, above two millions were remitted in subsidies; the expedition to Holland, and foreign troops in British pay, cost an immense sum; but especially in this period and the following year, the extraordinary imports of corn amounted to nearly twenty millions sterling. All this occasioned an enormous balance of exchange operations against England; the effect was commensurate, and the exchange fell enormously, *viz.* from ten per cent. above to fifteen per cent. below par, being (in January 1801) a fall of twenty-five per cent. and it should be particularly noticed, that the proportionate increase of Bank notes was much less than that of the two preceding years, when the exchange was so highly favourable. After the year 1800, the Continental expenses of the war diminished, and also after the favourable harvest of 1801, the extraordinary imports of corn gradually decreased; the exchange rose in consequence, that is, from fifteen to seven and a half per cent. under par. The next, and last two years witnessed a short, feverish, and most uncertain peace, and the breaking out anew of a most extraordinarily portentous war: nevertheless the exchange continued to rise, because there was no extraordinary counteraction; and at the date of the last return of Bank notes, it was above one per cent. higher than in the prosperous year 1792, the average of which was 34 5, whereas on the 25th November last, it was 34 10.

I humbly conceive, my Lord, that these indisputable facts, as indisputably prove, that the rate of exchange is governed by *the balance of exchange operations*, and (great political convul-

sions apart) by no other principle whatever: And that the species, or symbols of internal currency, do not influence the price of our foreign exchanges, further appears, I apprehend, from this consideration, namely, the Hamburgh merchants would not give one shilling more for a bill which stipulated that its payment should be made in guineas, than in Bank notes, because it could not profit him. If he remitted it to a correspondent, the correspondent would credit him just as much for a bill drawn for £105. sterling, as for one stipulated to be for one hundred guineas in gold coin.* If he came in person to receive the payment, the hundred guineas in gold would avail him no more in the British market, than £105. in Bank notes, because the law *forbids him to melt or export the current coin.*

Your Lordship will remark that I have not been particular, as to small inconsequential fractions, in this brief hint at the cause which constantly regulates the exchange between foreign countries: should it induce your Lordship (for I have not come to a conclusion contrary to all my prejudices without much research and sober reflection) to investigate the subject thoroughly, I am fully persuaded that this will be your

* The difference in this respect existing in Ireland, is considered in the subsequent part of this letter; and does not apply to the present argument.

definitive conclusion, namely, *that the Bank restriction was not the cause of the temporary disadvantageous course of exchange between London and Hamburgh.*

That the rise in the price of bullion was also independent of the increase of Bank notes, I think is equally certain, and equally apparent, from the following considerations.

We owe the supply of silver (which is principally the bullion in question) to the Spanish imports from America. Now it cannot be disputed, that if the supply of any commodity is more than the demand for it, the price will fall; if the supply is less than the demand, the price will rise. Apply this principle to the case before us.

For the seven years preceding the Bank restriction, the price of sterling silver fluctuated between 5*s.* 1*d.* and 5*s.* 6*d.* per oz. the average being about 5*s.* 2½*d.* During the greater part of this period, the imports from Spanish America were not interrupted; and Great Britain, as well as the Hanseatic Towns, received an *extraordinary* accession of silver from France and Holland, in consequence of the emigrations from these unhappy countries.* The extraordinary supplies thereby derived, together with the remittances of bullion, which a favourable course of exchange brought from Hamburgh, provided for the vast consumption of our manufactories, and the prodigious exports of silver to China and the East Indies: even for a considerable time after the Spanish imports from America had been almost, if not altogether, stopped by the war between Spain and England. In the early part of the year 1799, all these sources of supply began to fail us; that which arose from the French and Dutch emigration had probably ceased before; but now the exchange also took an adverse turn, occasioned by our great expenditure on the Continent, and the immense imports of corn, which already took place. The fall of the exchange not only prevented the usual imports of bullion, but occasioned a considerable reaction, as soon as it afforded (as it did from August 1799 to the end of 1802) a profit on the export of bullion, while it was procurable at little more than the standard price. As, therefore, the demand exceeded the supply, the natural consequence of such a state of things followed, and the price of bullion rose in exact proportion to the excess of demand beyond the supply. The conclusion, I think, is obvious, namely, that the price of bullion has been governed by the same laws, which regulate the price of all

* Of the ninety-three millions sterling at which M. Necker estimated the specie of France, by far the greater part was silver. The French nobility and clergy also used a great deal of silver plate, and a great proportion of both, found its way into England during the troubles in France.

commodities in free markets; and rose or fell in exact proportion to the ratio of the supply and the demand. So far indeed from ascribing the high price of bullion to the increase of Bank notes, it might be fairly argued, that the decreased consumption of bullion, in consequence of the prevailing use of paper money, had a tendency to diminish its price.

Most of the foregoing reasons apply equally to the Bank of Ireland;* but there are some peculiar circumstances in the case of Ireland, which require special notice, and the more particularly as the conduct of the Directors of the Irish Bank has been distinguished by a double portion of the severity of your Lordship's animadversion.

It will be readily granted, I presume, that civil war and internal commotions are most inimical to public credit; and that in such seasons of fearful uncertainty, the natural disposition of mankind is to hoard up, or

* The reader is requested to observe, that the question is about the Irish *National Bank*, and not the notes of private bankers. If I am rightly informed, the notes of the National Bank, so far from being excessive are very far below their due proportion to the paper currency of the country; and that this arises from the transaction of national business through the medium of the notes of private banks: one set engrossing the customs, another the excise, a third the army, &c. &c. If the case be so, it is an abuse, which calls loudly for reform.

transport to places of safety, such property as is most portable, unperishing, and valuable in any change of political affairs. An unfavourable course of exchange has also a tendency to drain a country of the precious metals. Now it must be admitted, that all these adverse circumstances have prevailed in a very great degree in Ireland; and if any considerable quantity of specie still remains in that part of the empire, it is entirely owing to the beneficial influence of the high premium it has borne there; that is, to the very thing which has been so strangely regarded as an alarming calamity. Nobody questions the benefit arising from the high price of a necessary article of subsistence, corn for instance, in a time of scarcity, for it prohibits the exportation, encourages the import of supplies from foreign parts, and tends to diminish the consumption.

But why, it will be asked, should guineas bear a great premium in Ireland, and none in England? I answer, because they are a *mere symbol of currency* here, and *a commodity* in Ireland. This is another circumstance peculiar to that part of the united kingdom; and a distinction of vast importance to the right understanding of the subject under consideration. Your Lordship evidently confounded these two ideas, by quoting the discount of Exchequer Bills, in proof of a depreciated currency.

Exchequer Bills, my Lord, want the prime essential of *currency*, viz. a fixed nominal value; and they have all the essentials (as it respects the present question) of commodities, *viz.* a fluctuating marketable price, with the possibility of profit or loss attending speculative sales and purchases. It is true that a payment, that is, *a barter*, may be made with Exchequer Bills, as it may with horses or oxen, but it rarely occurs; and in the abstract, the one is as much *currency* as the other.

This is, I confess, a difficult point; but I also conceive it to be a distinction of prime importance; and if the reader has not already digested the subject very carefully, I would intreat him not to pass over this part of it superficially. Let me endeavour to elucidate it another way. The piece of gold called a guinea, has a twofold character; first, that of the Mint, by which it is an authorised symbol of fixed value; secondly, an intrinsic and fluctuating value, as bullion. As long as it circulates as currency, it is at the standard value of the Mint; but as soon as recourse is had to its intrinsic value, the character of coin is lost, the impress of the Mint is become of no worth; it is simply a piece of gold of a certain weight and fineness, worth so much per ounce, according to the actual market price. As currency, the intrinsic value of the gold is only a

security, and by resorting to the security, *the coin* is, for that time at least, destroyed.

In England, the law forbids us to regard guineas in any other light than as currency; it therefore forbids the melting or exporting them. The sending them to Ireland cannot properly be called an export, because the Mint is in England; but from Ireland the export of specie has the same effect upon the current coin, as a repeal of the prohibitory laws against clipping, melting, and exporting it, would have in England, namely, a conversion of currency into commodities of a fluctuating value. It was probably on this account, that the standard of value, in most commercial states, came to be fixed not by *current coin*, but by a *nominal money of account*, such as the *pound sterling*, *Florin Banco*, *Mark Banco*, *&c.*; and it is worth observing, that in countries where the *commerce* of the current coin was not prohibited, the banco, or ideal money, bore in general a high premium.

In Ireland gold coin is not only a circulating medium, but a commodity, or article of trade, susceptible of the same variations in price, as other goods or merchandise of general request. It is precisely of the same character as bullion, and if any other pieces of gold were stamped with an authentic certificate of their weight and fineness, they would answer the purposes of foreign remittance just as well as guineas, and bring an equal price. The high price of gold, or guineas, is therefore the natural and inevitable consequence of the scarcity occasioned by the distracted state of Ireland, and of a disadvantageous course of the exchange. As long as guineas could be obtained at the standard price, the exchange between London and Dublin could not, for any great length of time, remain at much more than one per cent. above or below par, because the expense of the carriage, insurance, and agency of gold coin, sent from London to Dublin, amounts to about one per cent. and any considerably greater difference would encourage mercantile remittances, of specie or bullion, and speedily equalise the exchange; but inasmuch as fresh supplies of guineas were not obtainable from England, since the suspension of cash payments, the price of guineas rose in proportion to the course of the exchange, which therefore came to be regulated by the balance of exchange transactions.

It appears by the Custom House books, that the balance of trade between Great Britain and Ireland, is in favour of the latter;* and it has therefore puzzled some people how to account

* Since these sheets went to press, I find that doubts have been expressed whether the balance of trade is really in favour of Ireland. If it be against Ireland, or less in her favour than I supposed, it tends to strengthen my argument.

for the disadvantageous course of exchange, which Ireland has suffered these four or five years. This difficulty arises from a partial estimate; for the remittances which Ireland makes to absentees, and for the payment of interest on the public debt (stipulated to be made in London) operate as much upon the exchange, as if they were in payment of goods imported into Ireland. Now if these remittances amount to nearly five millions, and the balance of trade in favour of Ireland (as I have been told) to two millions a year, the balance of exchange transactions would be three millions against Ireland, and the course of exchange must rise accordingly.

I have no means of ascertaining correctly, whether these *extracommercial* remittances from Ireland are a little more or a little less than the ratio, just supposed, beyond the balance of trade in her favour; but it is generally admitted that the excess is considerable, and therefore accounts for the disadvantageous course of exchange, and consequent high price of the precious metals, whether in coin or bullion.

Hence I conclude that the high exchange is entirely owing to the balance of exchange operations, and that of bullion to the scarcity, and the high rate of exchange co-operating to enhance its value, by increasing the demand far beyond the supply.

The increase of the notes of the Bank of Ireland, appears to me a necessary consequence of the scarcity of specie. Whatever stock of current coin Ireland possessed, the distracted state of the country, of late years, must have abstracted much of it from circulation, and the rise of the exchange occasioned the export of more; therefore a very considerable diminution of the metallic currency must have taken place. It will be granted, that it was necessary to fill up the chasm thereby made in the medium of circulation. Parliament did not devise a better mean than Bank notes (I believe it was impossible to substitute a better), and we have no proof that the two millions, which the circulation of the Bank of Ireland has augmented since the month of February 1797, are equal to the decrease of metallic money, joined to the augmentation required by the increased price of goods, and the extension of trade.*

But it struck your Lordship's mind, as an extraordinary thing, that when the circulation of the Bank of England was only doubled, that

* An idea has gone abroad, and your Lordship seems to entertain it favourably, that by a "*rapidity of circulation,*" Bank notes perform the office of a circulating medium to a prodigious extent, beyond the powers of metallic money. This is either a refined sophism, or specious error; and if your Lordship will be at the pains of trying the experiment, you will find that there is no manner of difference in that respect, between one species of currency and any other.

of the Bank of Ireland had increased fourfold. The cases, my Lord, are extremely dissimilar. The Bank of England had been long established:—that of Ireland was in its infancy. English Bank notes had long obtained an ascendancy in the metropolis and great commercial towns; those of Ireland are even now rarely met with in the most trading parts of the country. The metallic currency of Ireland, from the peculiar circumstances of the country, suffered a far greater proportionate diminution than that of England. So far, therefore, from considering the great relative increase of the notes of the Bank of Ireland, as a proof of excess, I much doubt whether it yet bears the like beneficial proportion to the aggregate circulation of the island, as that of the Bank of England does in this country. It is probable, that the notes of the Bank of England, and the Chartered Banks of Scotland, exceed in amount all those of the country Bankers (London Bankers issue comparatively none), and I am misinformed if those of the Bank of Ireland amount to half the circulation of private Bankers and Merchants, the number of whom increase also rapidly.*

* From extensive and accurate inquiries, there is reason to believe that the circulation of *cash notes* in Great Britain does not much exceed thirty millions, of which the Bank of England and Scotch Chartered Banks compose about two-thirds; whereas

If then, my Lord, neither the price of bullion, or course of exchange, proceeds from the increase of Bank notes; and the amount of the notes of the Bank of Ireland does not yet bear the same proportion with the aggregate currency of the country, as those of the Bank of England, I presume that there is no proof of a dereliction of confidence and power, on the part of the Directors of the Irish Bank; and that your Lordship will be foremost to acknowledge the mistaken view of the subject, under the impression of which, you brought so serious an accusation against them.

It is very true that the disadvantageous course of exchange between Dublin and London, is a great loss to the absent proprietors: but if the balance of trade is really in favour of Ireland, the high exchange operates as a bounty on her exports, and counterbalances much of the loss sustained by the state and by absentees. Circumstanced as Ireland now is, it must however be allowed that the high rate of exchange is a great calamity, and it is a desideratum to find out some method of equalizing it. Some recommend an obligation on the Bank of Ireland to pay English Bank notes, when required for their own. This would answer the purpose of merchants importing English

the circulation of the Bank of Ireland is supposed to be less than one-fifth of the aggregate circulation of that country.

goods into Ireland, and absentees receiving rents from thence: but it would inevitably ruin the Irish Bank, and thereby produce a greater evil than it is proposed to remedy. For the Bank of Ireland must *pay* for the notes of the Bank of England, and that at the current exchange, because they have no means of paying for such supplies of English notes, but by buying bills on London, or being drawn upon by an agent in London. In either case, they would at present pay £118. for which it is proposed they should receive only £108. 6*s*. 8*d*. It would be not only great injustice, but criminal folly, to impose so ruinous an obligation on the Irish Bank. The advocates for this measure seem always to suppose, that by some kind of compact, the Bank of Ireland may procure the use of the requisite quantity of English Bank notes, *without paying for them*. I need not repeat to your Lordship, that neither the Bank of Ireland, nor any person, not even the King of Great Britain himself, can procure a note to be issued from the Bank of England without payment of its full value.*

* It is really astonishing, how much this simple, but most important fact is overlooked. Some talk of the issue of Bank notes to the extent of its capital; but no note is, or *can* be issued on that consideration; nor on any but the actual receipt of the value; so that every note in circulation represents property in the coffers of the Bank, to its full amount, over and above the capital joint stock of the Company.

Another scheme is, to unite the national Banks. This is too crude and inconsiderate a proposition, to merit a minute reply, for until £100. Irish currency be equal to £100. English currency, that is, until Ireland become relatively equal to Great Britain in agriculture, commerce, and manufacture, the union of the national Banks would be injurious to both; and then their union will not be needed. A third proposal is, to repeal the Restriction Bill. This would, if practicable, equalize the exchange, and consequently be partially beneficial to Ireland: but there are two weighty objections to this measure; first, that it is *impracticable;* and secondly, that it would be *impolitic.* I think it absolutely impracticable to repeal the Restriction in Ireland, and not in England; and until the price of bullion falls nearly to that of the mint, the act of coining in sufficient quantity to supply the circulation, would only be giving encouragement to clipping and melting, which we know no penal laws can prevent. While the price of bullion continues so high as it is, and has been for several years, (and a great coinage, by increasing the consumption, would tend *to raise* the price still higher,) it may well be doubted, whether the mint could coin faster than the melters would destroy: it is probable therefore, that the quantum of circulating coin would not be *increased,* and the

immense loss on the coinage would operate as *a premium to encourage fraud.* The impolicy of such a measure is obvious. It would be thus impolitic, were the loss generally diffused; but when it is considered, that the pressure must of necessity fall principally upon, and inevitably destroy the Bank of England, the fatal consequences of such folly will be more palpable.

Suppose for a moment the Restriction suspended, the Bank must instantly curtail its accommodations to the state and to commerce so enormously, as to occasion considerable embarrasment to the former, and inevitable ruin to a great proportion of the trading community. By this operation, the business and profits of the Bank would be diminished, and consequently its power of withstanding the storm, be lessened daily. In the mean time it must secure all possible supplies of bullion (and thereby raise the price) for the purpose of coining with the utmost dispatch; and the melters being as active as the mint, very many millions might be coined, before the chasm thus made in the general circulation of the country, by the diminution of the paper currency (of the Bank of England and of country bankers) could be filled up by specie. So great a demand for gold would probably make it dearer than silver, which is now nine per cent. above the mint price. Suppose the loss, including the cost of coinage, should prove only ten per cent. (or even five per cent. which is £52,500. on every million of guineas) the enormous coinage necessarily imposed on the Bank by a repeal of the Restriction Bill, in circumstances like the present, would inevitably ruin the Bank, and with it the public credit, and actual commerce of the kingdom. And all this for what end? to put a million or more per annum into the pockets of the fraudulent clippers, melters, and exporters of the current coin?

Indeed, my Lord, one can but wonder how so monstrous a proposition could be entertained by men of enlightened and liberal principles; and whatever difference of opinion may exist about the *future* expediency of the Restriction, there can be no reasonable doubt about the *necessity* of it at present. It has been objected to the Bank Restriction Bill, that whereas the obligation to pay in specie being abated, there was in fact no payment at all, but a mere exchange of one nonentity for another. Here again prejudice has strangely blinded the judgment. The suspension by no means extends to that point: in fact of equity, the Bank has not suspended its payments at all. No man is obliged to take a Bank note for payment of a Bank note: he may go to the bullion office and purchase gold or silver for it at the market

price.* The Bank charter does not prescribe the payment of its notes in guineas; and where would be the justice or equity of compelling the Bank to pay its notes in gold at the rate of £3. 17*s.* 6*d.* per ounce, for which it pays £4. 1*s.* or upwards? and what right has a man to expect the Bank should furnish him with gold at five or ten per cent. under the market price? at the market price they have never ceased to supply it, and therefore, in point of equity, there has been no suspension. Bank notes have always been convertible into gold and silver at pleasure, at the same price as if paid for in specie; and both justice and policy require, that it should not at a lower rate be exacted. There is indeed a species of *dishonesty* in expecting the Bank to supply money at a much less rate than it can possibly acquire it. If the impress of the Mint would gratify the public, the Bank would readily coin their bullion, if it could be done at the current price of bullion. Your Lordship knows that this cannot be done at present; and is probably aware of the evils that would result from a new law to that effect.

* Not indeed in petty detail, but in quantities regulated by the usage of the Bank; and the Bank has never ceased its chartered trade in bullion. Smaller quantities may be likewise purchased *with Bank notes* of the refiners, whose business the Bank ought not to monopolize.

All these methods of equalizing the exchange appear to me therefore impracticable, or ineligible, in the actual circumstances of the two countries.

The most efficacious, and at the same time the least exceptionable method, which occurs to me, is this: let a loan for the service of Ireland be negociated in London, the payments to be made at the Bank of England, to the credit of the Bank of Ireland (with whom the Irish treasury would arrange the issues in Ireland); by this means the Irish Bank would be enabled to draw on the Bank of England. If the present ratio of the annual excess of exchange operations be supposed two millions against Ireland, let the loan be for a greater sum, say three millions (and if the *unfortunate system of war taxes* should be happily postponed, probably a greater loan would be necessary this year); and let the Bank draw a proportionate amount every post, always at a half, or one per cent. *under* the current exchange, till it fell nearly to par. This measure, by making the balance of exchange operations for so long a time, in favour of Ireland, would certainly produce that effect (and, I trust, convince your Lordship, that the internal currency of Ireland has nothing to do with its foreign exchanges); and by decreasing the exchange gradually, it would also avert the evils of a sudden shock.

But must this system be repeated annually, whether Ireland wants to borrow or not? I answer, No. The exchange once more brought to, or nearly to par, it should be the *office and duty* of the national Bank to equate its course. To accomplish this important object, it is necessary that the Bank of Ireland should, as the Bank of England, *deal in bullion*, and be the great emporium of that commodity in Ireland.

We have seen above, that guineas bear the price of bullion in Ireland, not because they are coin, but because they are authenticated bullion. If therefore bullion could be purchased with Bank notes at the Bank of Ireland, *at the market price in London*, it is evident that remittances would be made in bullion, the same as it would be in guineas, whenever the exchange rose much above the expense of sending gold (silver would be too bulky), and the demand for bills would be thereby lessened, and the balance of exchange operations restored.

The expense of carriage, and insurance of gold from Dublin to London, is about one half per cent. consequently the exchange would not, in general, or for a long continuance, fluctuate much more than in that ratio above or below par, when a certain market for the purchase and sale of bullion is established on both sides. The cost of *drawing* it from London would fall on the Bank of Ireland, when the exchange continued above par: but this ought not to be deemed a hardship, because the same duty, in fact, was imposed on the Irish Bank before the suspension of payments in specie took place; and to a much greater extent, as it was for the supply in specie of the internal currency, as well as the exchange remittances, for both which it was obliged to draw large sums from England.* It is likewise worthy of remark, that the circulation of the Bank of Ireland was at that time little more than one-fifth of its present amount; and probably not one-tenth of what it will be, when it has acquired its due ascendancy in the circulation of the island, proportioned to that of the chartered Banks of England, and Scotland, in Great Britain.

I have heard of many objections to this plan, but, as yet, of none worth troubling your Lordship to consider. It is founded upon the acknowledged maxim in political economy,

* Previous to the suspension of payments in specie, the Irish Bank drew, in some years, above a million of guineas per ann. from England. A great proportion of that supply was probably absorbed in the internal currency of Ireland, or fraudulently exported by smugglers to France and Flanders; it is probable, that when the exchange shall have fallen to par, or nearly so, less than half a million will suffice to regulate its fluctuations, which would then be governed by the interest of the merchants on either side.

that in commercial intercourse, the debtor state must pay the creditor through the medium (indirect ones being wanting) of *cash remittances*, that is to say of the precious metals in coin or bullion, the *security* of paper money not being yet recognised to the extent it is, I am persuaded, entitled to.*

When the prejudice against paper money shall have subsided, and improvements be established, with respect to Private Bank notes, it will perhaps appear, that the expedient just proposed, may be *much more cheaply*, and *as effectually* executed, by means of an established credit, by virtue of which the Irish Bank may draw *at par* upon the Bank of England; such bills will be infinitely more acceptable to the remitters than specie or bullion, and the same means of purchasing bullion *(and nothing less)*, will enable it to obtain the necessary credit, and save both the Bank of Ireland, and the Irish remitters, the expense of transporting bullion to and from Dublin unnecessarily.

And now, my Lord, permit me to conclude,

* It is only in respect of *security* that metallic money can be preferable to paper; all other advantages, vast as they are, belong exclusively to paper currency: and if equal, or sufficient *security*, can in all cases attach to Bank notes, they must be the most eligible. The more the solvency, the laws, and the practical regulations of the Bank are inquired into, the more will it appear that the security of its notes cannot be suspected.

with supposing, that my estimate of the advantages of paper currency, are far too sanguine; that there may be latent evils which our seven years experience, in very trying times, has not discovered. Still I say, "Minime de malis." Perhaps your Lordship has not estimated the expense, the *incredibly* ruinous expense, (did not common arithmetic demonstrate the fact,) of metallic money.

Suppose thirty millions in coin necessary for the circulation of Great Britain and Ireland, in the event of repealing the Restriction Bill; and it is difficult to estimate it so low, because there has been a much greater sum coined, exclusive of the recoinage, in the present reign: but suppose for the sake of argument, that thirty millions would be sufficient, the amount of such a sum merely at compound interest of five per cent. in the course of one century would exceed *three thousand nine hundred and forty-five millions sterling!!!!* To this must be added the coinage necessary to replace the waste, and maintain the assumed circulation of thirty millions; suppose one sixtieth part, or £500,000. a year; (which is less than the average coinage of the last century) this annual charge would amount at compound interest to the further sum of thirteen hundred and five millions in the space of one hundred years.

Enormous as these sums appear, they are in

fact but a small part of the loss resulting from so much unproductive capital, when compared with its powers, if employed in agriculture, manufactures, and commerce. It must be acknowledged that seven per cent. per annum would be a very low estimate of the profit of commercial capital, and at that rate the assumed amount of thirty millions with the annual supply of £500,000. would produce in one hundred years, above thirty-two thousand millions sterling!!!*

I confess that this calculation staggers all ordinary belief, and I would willingly abate it, but the facts are too stubborn, to admit of diminution. If the premises are admitted, the result is inevitable. Now I cannot discover that too much is assumed, but rather too little.

* 30 millions at 5 per cent. compound interest, will amount, at the end of 100 years, to the sum of - -	£ 3945,030,000
£500,000. per annum at the same rate of interest to - - -	1305,012,500
Total at compound interest	£ 5250,042,500
The like capital of 30 millions embarked in trade, at only 7 per cent. per ann. profit will amount to - - -	26,031,480,000
And £ 500,000. per ann. in like manner will amount to - - -	6,190,830,000
Total at 7 per cent. per ann.	£ 32,222,310,000

Is, for instance, thirty millions of specie too much? I find Mr. Rose, three years after the Bank suspension, estimating our stock at forty-four millions and upwards, when paper was by far the prevailing currency; but admitting this to be (as I believe it is) a very erroneous estimate, yet it does appear from authentic documents, that more than twenty millions of gold coin was in circulation when light guineas were called in, under Lord North's administration, by the recoinage act of 1773. If twenty millions was at that time necessary, the increase of trade, and of the price of commodities, would actually require at least, three times the then amount of circulating medium. I am therefore compelled to think the supposed sum of thirty millions too little, rather than too much. In the next place, the assumed waste, or annual supply necessary to maintain the *given circulation*, supposed to be one-sixtieth part, or £500,000. per annum, is that too high? I find that within the first thirty-seven years of his Majesty's reign, above thirty millions of *new guineas* were coined, and above thirty millions more of *light guineas* recoined; so that it is impossible to suppose, that during this period *so little* as half a million per annum was abstracted from the active, *reproductive* capital of the nation, and converted into

unproductive coin. Is then the value of *commercial capital* over-rated at seven per cent. per annum? I can answer truly, that I have met with no monied men, who would embark their capital on so small an expectation; and I appeal to the breast of the reader, whether he would hazard his fortune for so small an addition to the legal interest, which either the funds or freehold mortgages would produce without trouble, or care, or risk?

But it may be objected, that all this vast sum is not to be abstracted from the trading capital of the nation, consequently we should not feel the loss. It is a maxim in commerce, that "a "penny saved is a penny got;" and by the same rule, a penny that *might* be gained, and is not, is a penny lost. It matters not therefore, whether the necessary sum of specie be torn from the active capital already existing, or bars its augmentation, provided there is room to improve our waste lands, extend our commerce, or increase our manufactures. While half the earth is untenanted, and half the seas unfished, I presume it will not be denied, that there is "room enough," for the utmost exertion of the present and many succeeding generations.

With no desire to over-rate the enormous disadvantages of specie, (for almost infinitely less would be enough to confirm my argument,) the obvious facts of the case compel me to draw the conclusion which I have made, and even without adverting to many collateral advantages of paper currency, which might be adduced in further confirmation of my hypothesis.

If, therefore, the creating and maintaining only 30 millions of metallic money, inevitably entails so ruinous an expense, can we wonder at the irreparable disorder of the finances of France, compelled, by her want of public credit, to maintain a circulation of specie of more than 90 millions?

What a cheering prospect, my Lord, does this open to our view. It is our public credit, it is the felicity of the British Constitution of Government, it is our national character, which enables us to substitute the least in lieu of the most expensive medium of circulation; and convert into active reproductive capital, that great proportion of the national wealth, which, in other countries, is necessarily *a wasting*, as well as *unproductive* stock. Enjoying an advantage so singular and important, we can bid defiance to the utmost malice of our enemies, whose efforts to shake our financial system, will recoil with tenfold ruin on their own heads.

Instead then of bewildering our minds with fanciful theories, and thence deducing imaginary evils, let us bring the question of *credit and currency* to a fair dispassionate trial, and learn to form our judgment upon "*the testimony of experience and the evidence of facts.*" On a subject so little understood, many differencies of abstract opinion remain to be reconciled, ancient prejudices to be removed, and many obstacles to be surmounted: but the good sense and prudence of the nation will, doubtless, ultimately prevail; and secure to our posterity the inestimable advantages, in this respect as well as others, of which the peculiar excellence of the British Constitution of Government, and character of the people, afford us the unrivalled enjoyment. "Truth, (Mr. Locke observes) scarce ever yet carried it by vote any where at its first appearance: new opinions are always suspected, and usually opposed, without any other reason but because they are not already common." We must not, therefore, be surprised that a system, which owes its adoption, not to previous deliberation, but to *necessity*, should be opposed: but when persons of your Lordship's rank and talents, nobly step forward, to examine it with calmness, intelligence, and a disinterested desire to discover the truth, we may expect the happiest consequences. In that hope, I have the honour to be, very respectfully,

My Lord,

Your Lordship's most obedient

and most humble Servant,

H. BOASE.

London, Feb. 28, 1804.

POSTSCRIPT.

THE intricacy and importance of the subjects above discussed, having extended this Letter beyond the limits I proposed, I am unwilling to add another page to it; but being informed (since the preceding sheets went to press) that some distinguished Members of both Houses of Parliament, consider the influence of internal currency upon the exchange with foreign countries, as irrefragably proved by the effect which the recoinage of 1774, is presumed to have had upon the exchange with Hamburgh, I feel it necessary to submit a few brief observations on that head, to your Lordship's consideration.

The passage quoted on this occasion from your Lordship's publication, at p. 36, is as follows, "A "similar* depression of the foreign exchanges was "produced by the degraded state of the currency prior "to 1772." I suppose the date is a typographical error. The act authorising the cutting of light coin, was passed at the end of the Session of 1773; the recoinage act in May 1774.

* To that in King William's reign.

Now let me ask in the first place, how it could benefit the merchants at Hamburgh, to have their bills paid in London, with guineas of full weight, rather than with light guineas? There is no magical delusion that could operate upon their minds, in respect of the exchange, from *an internal regulation of the British Government:* they regard only *substantial profit:* the benefit accruing to the foreign merchant, could arise in no other way but by melting or exporting the new guineas from England. This, your Lordship knows, was prohibited under severe penalties, and the most careful vigilance observed to prevent the smuggling abroad the new coin. I do not go the length to say, that much fraud was not committed; it is one of the inherent defects of metallic currency, that abuses of this kind cannot be altogether prevented; but it is inconceivable that so vast an amount as would materially affect the foreign exchanges of Great Britain, could be thus fraudulently exported; and if not exported, or melted down and sold at a higher than the mint price, as bullion, the recoinage could in no wise benefit the foreign merchant, or affect the exchange.

It might have happened that a great rise of the exchange, and the recoinage should coincide, and a superficial enquirer be quite satisfied with the coincidence; but it is really surprising, that men of profound research, and clear intellect, should take a matter of such importance for granted; and infer decisive consequences from an assumption, which is wanting even in the *primâ facie* evidence of the supposed coincidence. For in fact no unusual or remarkable rise of the exchange followed the recoinage. In January 1770, the exchange with Hamburgh was at 33 2

On the average of that year		33 4
do.	of 1771	33 2
do.	of 1772	33 0
do.	1st 6 months of 1773	34 8
do	of 1774	34 5

The recoinage began in August 1773,* previous to

* The Bank recoined a considerable sum, before the recoinage at the public expence in 1774.

which the exchange was higher than in the next 18 months, when the new coin was become prevalent.

But there was nothing extraordinary in the fluctuations of the exchange during these four years, for there can hardly be four successive years found with less variation of price. For instance,

The average	of 1782	was	32 1
do.	of 1783		32 5
do.	of 1784		34 4
do.	of 1785		35 1
The average	of 1792	was	34 5
do.	of 1793		36 2
do.	of 1794		35 7
do.	of 1795		33 10

Here is a variation between the extremes from 1782 to 1785 of nine per cent.; between those from 1792 to 1795 of seven per cent.; whereas the fluctuation between 1771 and 1774 was only five per cent.; and it is not pretended that any restoration of depreciated currency, or Bank Restriction, operated on the two latter periods.

These, my Lord, are facts on record, paramount to the ipse dixit of any man, however elevated his station; and they shew the necessity of trying our abstract theories by the test of experience.

H. B.

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